

WINTERSET COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

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Winterset Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2007 election)</b>		
Shane Pashek	President	2008
Jeff Nicholl	Vice President	2009
Chad Emanuel	Board Member	2008
Randy Snyder	Board Member	2007
Gretchen Holcomb	Board Member	2007
<b>Board of Education (After September 2007 election)</b>		
Shane Pashek	President	2008
Jeff Nicholl	Vice President	2009
Chad Emanuel	Board Member	2008
Michael Motsinger	Board Member	2010
Gretchen Holcomb	Board Member	2010
<b>School Officials</b>		
Dr. Doyle F. Scott	Superintendent	2008
Ben M. Applegate	Business Manager/Board Secretary	2008
Ahlers Law Firm	Attorney	2008

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Winterset Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Winterset Community School District, Winterset, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Winterset Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2009 on our consideration of the Winterset Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We

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have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Winterset Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Nolte, Cornman & Johnson PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Winterset Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$13,054,649 in fiscal year 2007 to \$13,809,786 in fiscal year 2008, while General Fund expenditures increased from \$13,435,249 in fiscal 2007 to \$14,795,428 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$557,080 in fiscal 2007 to a deficit \$428,562 in fiscal 2008, a 176.93% decrease from prior year.
- The increase in General fund revenues was attributed to an increase in property tax and state grant revenue in fiscal 2008. The increase in expenditures was due primarily to an increase in the negotiated salaries and benefits.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Winterset Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Winterset Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Winterset Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Winterset Community School District Annual Financial Report**

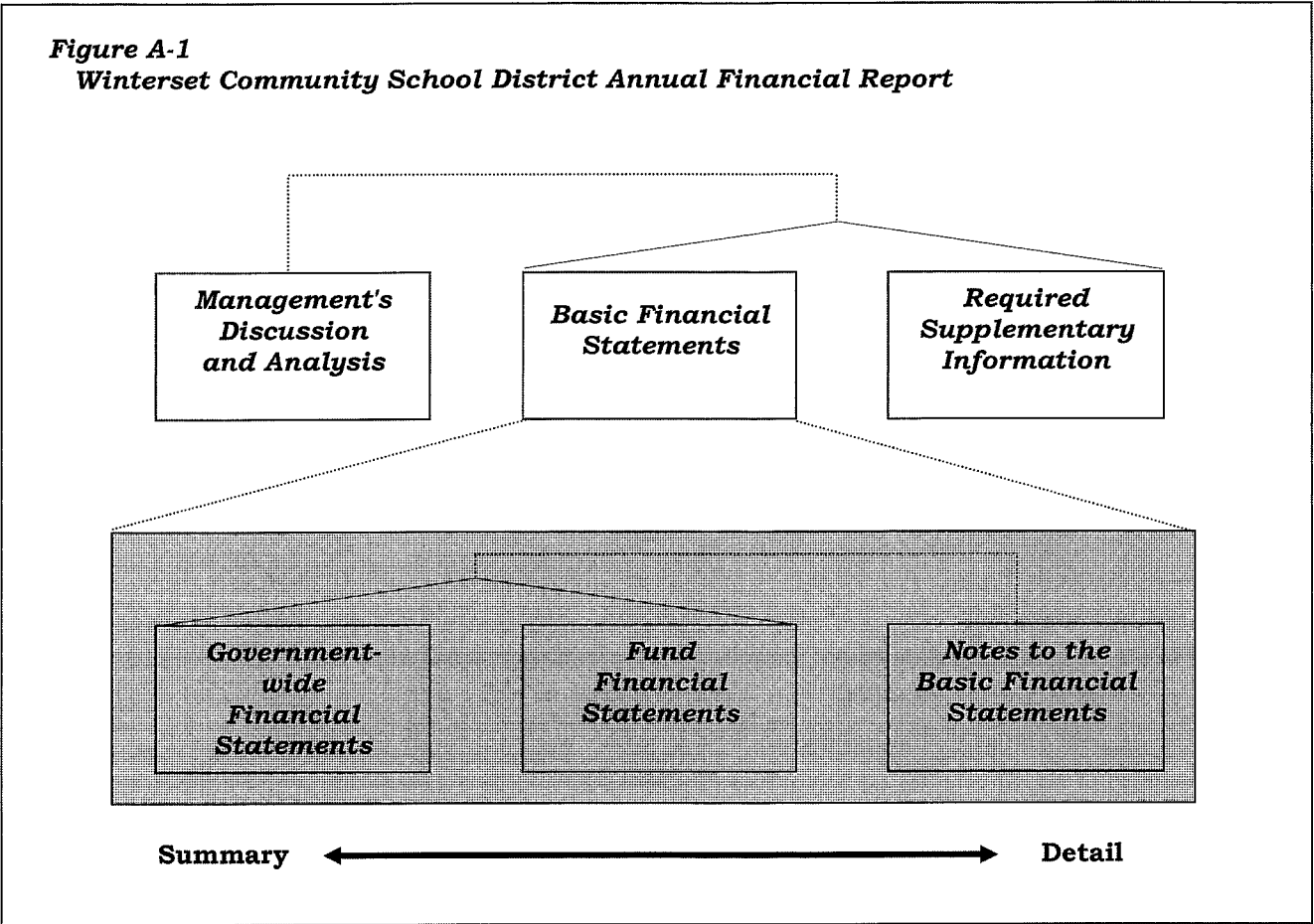


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to

measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 9,065,046	8,760,426	110,617	100,978	9,175,663	8,861,404	3.55%
Capital assets	8,393,012	8,438,091	21,609	26,489	8,414,621	8,464,580	-0.59%
Total assets	17,458,058	17,198,517	132,226	127,467	17,590,284	17,325,984	1.53%
Long-term obligations	1,867,591	2,259,841	0	0	1,867,591	2,259,841	-17.36%
Other liabilities	6,902,013	6,003,575	12,429	8,337	6,914,442	6,011,912	15.01%
Total liabilities	8,769,604	8,263,416	12,429	8,337	8,782,033	8,271,753	6.17%
Net assets:							
Invested in capital assets, net of related debt	6,898,012	6,398,091	21,609	26,489	6,919,621	6,424,580	7.71%
Restricted	2,285,168	1,940,556	0	0	2,285,168	1,940,556	17.76%
Unrestricted	(494,726)	596,454	98,188	92,641	(396,538)	689,095	-157.54%
Total net assets	\$ 8,688,454	8,935,101	119,797	119,130	8,808,251	9,054,231	-2.72%

The District's combined net assets decreased by 2.72%, or \$245,980, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$344,612, or 17.76% over the prior year. The increase was primarily a result of the increase in fund balance of the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$1,085,633, or 157.54%. This decrease in unrestricted net assets was primarily a result of the decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 985,674	872,483	434,678	385,355	1,420,352	1,257,838	12.92%
Operating grants and contributions and restricted interest	1,758,731	1,531,421	297,819	249,912	2,056,550	1,781,333	15.45%
Capital grants and contributions and restricted interest	7,863	0	0	0	7,863	0	100.00%
General revenues:							
Property tax	4,659,445	5,012,250	0	0	4,659,445	5,012,250	-7.04%
Income surtax	301,554	326,949	0	0	301,554	326,949	-7.77%
Local option sales and services tax	953,769	967,173	0	0	953,769	967,173	-1.39%
Unrestricted state grants	7,380,838	6,972,697	0	0	7,380,838	6,972,697	5.85%
Other	105,373	129,818	1,716	2,855	107,089	132,673	-19.28%
Transfers	0	11,151	0	0	0	11,151	-100.00%
Total revenues and transfers	16,153,247	15,823,942	734,213	638,122	16,887,460	16,462,064	2.58%
Program expenses:							
Governmental activities:							
Instruction	10,432,976	9,190,694	0	0	10,432,976	9,190,694	13.52%
Support services	4,630,634	4,190,222	1,109	0	4,631,743	4,190,222	10.54%
Non-instructional programs	22,310	8,796	732,437	638,204	754,747	647,000	16.65%
Other expenditures	1,313,974	1,209,131	0	0	1,313,974	1,209,131	8.67%
Total expenses	16,399,894	14,598,843	733,546	638,204	17,133,440	15,237,047	12.45%
Changes in net assets	(246,647)	1,225,099	667	(82)	(245,980)	1,225,017	-120.08%
Beginning net assets	8,935,101	7,710,002	119,130	119,212	9,054,231	7,829,214	15.65%
Ending net assets	\$ 8,688,454	8,935,101	119,797	119,130	8,808,251	9,054,231	-2.72%

In fiscal 2008, property tax, local option sales and services tax and unrestricted state grants account for 80.44% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.77% of the revenue from business-type activities.

The District's total revenues were \$16,887,460 of which \$16,153,247 was for governmental activities and \$734,213 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 2.58% increase in revenues and a 12.45% increase in expenses. State grant revenues increased by \$408,141 to fund increases in expenditures. The increases in expenses were related to increases in negotiated salary and benefits.

## Governmental Activities

Revenues for governmental activities were \$16,153,247 and expenses were \$16,399,894.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 10,432,976	9,190,694	13.52%	8,256,438	7,309,225	12.96%
Support services	4,630,634	4,190,222	10.51%	4,625,567	4,190,222	10.39%
Non-instructional programs	22,310	8,796	153.64%	22,310	8,796	153.64%
Other expenses	1,313,974	1,209,131	8.67%	743,311	686,696	8.24%
Totals	\$ 16,399,894	14,598,843	12.34%	13,647,626	12,194,939	11.91%

- The cost financed by users of the District's programs was \$985,674.
- Federal and state governments subsidized certain programs with grants and capital contributions totaling \$1,766,594.
- The net cost of governmental activities was financed with \$4,960,999 in local tax, \$953,769 in local option sales and services tax, \$7,380,838 in unrestricted state grants, \$73,479 in interest income and \$31,894 in other general revenues.

## Business-Type Activities

Revenues of the District's business-type activities were \$734,213 and expenses were \$733,546. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Winterset Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,918,152, compared to last year's ending fund balances of \$2,527,934. However, the primary reason for the decrease in combined fund balances in fiscal 2008 is due to the decrease in the General fund balance.

## Governmental Fund Highlights

- The District's decrease in its General Fund financial position from \$557,080 in fiscal 2007 to a deficit \$428,562 in fiscal 2008 is the product of many factors. Revenues increased due to increases in property taxes and state aid. The District's increase in General Fund expenditures was primarily due to increased salary and benefit costs.
- The Capital Projects Fund balance increased from \$1,176,723 in fiscal 2007 to \$1,502,552 in fiscal 2008 due District expenditures for this fund being less when compared to the previous year.

- The Management Levy Fund balance increased from \$53,744 in fiscal 2007 to \$86,250 in fiscal 2008 due to the increase property taxes. The Management Levy Fund expenditures include early retirement benefits, property and liability insurance coverage, worker's compensation insurance and unemployment benefits. The District levies for retirement benefits the budget year following the expense.
- The Physical Plant and Equipment Levy Fund balance decreased from \$367,397 in fiscal 2007 to \$341,428 in fiscal 2008 due to revenues received being greater than fund expenditures during the year. The District follows a five-year capital improvement plan that is reviewed annually.

### **Proprietary Fund Highlights**

The Proprietary Fund net assets increased from \$119,130 at June 30, 2007, to \$119,797 at June 30, 2008, representing an increase of less than 1%.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$1,532,686 less than budgeted revenues, a variance of 8.3%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2008, the District had invested \$8.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.59% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$462,919.

The original cost of the District's capital assets was \$16.22 million. Governmental funds account for \$15.95 million with the remainder of \$0.27 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year besides the construction in progress occurred in the land category. The District's land totaled \$407,931 at June 30, 2008, compared to \$318,535 reported at June 30, 2007. This increase resulted from purchasing land for the athletic field relocation project.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 407,931	318,535	0	0	407,931	318,535	28.06%
Construction in progress	13,463	0	0	0	13,463	0	100.00%
Buildings	7,061,597	7,139,671	0	0	7,061,597	7,139,671	-1.09%
Land improvements	467,071	487,100	0	0	467,071	487,100	-4.11%
Machinery and equipment	442,950	492,785	21,609	26,489	464,559	519,274	-10.54%
Total	\$ 8,393,012	8,438,091	21,609	26,489	8,414,621	8,464,580	-0.59%

### Long-Term Debt

At June 30, 2008, the District had \$1,867,591 in general obligation and other long-term debt outstanding. This represents a decrease of 17.36% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding General Obligation Bonds of \$1,495,000 at June 30, 2008.

The District had outstanding Early Retirement benefits of \$271,836 payable from the Special Revenue, Management Fund at June 30, 2008.

The District had \$100,755 in Compensated Absences payable from the General Fund at June 30, 2008.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 1,495,000	2,040,000	-26.72%
Early retirement	271,836	219,841	23.65%
Compensated absences	100,755	0	100.00%
Totals	\$ 1,867,591	2,259,841	-17.36%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- The District has experienced steady to slightly increasing enrollment for the past six years. The District expects continued increases in enrollment due to housing development in the city of Winterset and Madison County.
- Every year the District negotiates new agreements with the Winterset Community Education Association (WCEA) for teachers and the Winterset Educational Support Employees Association (WESEA) for support personnel. Any settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cammy Leners, Business Manager/Board Secretary, Winterset Community School District, 224 E. Hwy 92, Suite 3, PO Box 30, Winterset, Iowa, 50273-0030.

## BASIC FINANCIAL STATEMENTS

WINTERSET COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,581,148	61,695	2,642,843
Receivables:			
Property tax:			
Delinquent	95,552	0	95,552
Succeeding year	5,403,854	0	5,403,854
Income surtax	256,377	0	256,377
Accounts	6,510	38,091	44,601
Due from other governments	721,605	0	721,605
Inventories	0	10,831	10,831
Capital assets, net of accumulated depreciation (Note 5)	8,393,012	21,609	8,414,621
<b>Total Assets</b>	<b>17,458,058</b>	<b>132,226</b>	<b>17,590,284</b>
<b>Liabilities</b>			
Accounts payable	176,755	0	176,755
Salaries and benefits payable	1,309,908	2,087	1,311,995
Interest payable	11,496	0	11,496
Deferred revenue:			
Succeeding year property tax	5,403,854	0	5,403,854
Unearned revenue	0	10,342	10,342
Long-term liabilities (Note 6):			
Portion due within one year:			
Bonds payable	530,000	0	530,000
Early retirement payable	72,525	0	72,525
Compensated absences payable	100,755	0	100,755
Portion due after one year:			
Bonds payable	965,000	0	965,000
Early retirement payable	199,311	0	199,311
<b>Total Liabilities</b>	<b>8,769,604</b>	<b>12,429</b>	<b>8,782,033</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	6,898,012	21,609	6,919,621
Restricted for:			
Beginning teacher mentoring program	4,099	0	4,099
Market factor	8,625	0	8,625
Market factor incentives	9,945	0	9,945
Community grants	2,035	0	2,035
Debt service	207,579	0	207,579
Capital projects	1,502,552	0	1,502,552
Physical plant and equipment levy	341,428	0	341,428
Other special revenue purposes	208,905	0	208,905
Unrestricted	(494,726)	98,188	(396,538)
<b>Total Net Assets</b>	<b>\$ 8,688,454</b>	<b>119,797</b>	<b>8,808,251</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Contributions and Restricted Interest	Contributions and Restricted Interest		Govern- mental Activities	Business- Type Activities	Total
Expenses							
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 6,444,152	530,567	1,105,425	0	(4,808,160)	0	(4,808,160)
Special instruction	2,501,139	151,429	85,955	0	(2,263,755)	0	(2,263,755)
Other instruction	1,487,685	303,162	0	0	(1,184,523)	0	(1,184,523)
	10,432,976	985,158	1,191,380	0	(8,256,438)	0	(8,256,438)
Support services:							
Student services	450,206	0	0	0	(450,206)	0	(450,206)
Instructional staff services	635,078	0	0	0	(635,078)	0	(635,078)
Administration services	1,350,321	0	0	0	(1,350,321)	0	(1,350,321)
Operation and maintenance of plant services	1,484,434	0	0	0	(1,484,434)	0	(1,484,434)
Transportation services	710,595	516	4,551	0	(705,528)	0	(705,528)
	4,630,634	516	4,551	0	(4,625,567)	0	(4,625,567)
Non-instructional programs:							
Food service operations	22,310	0	0	0	(22,310)	0	(22,310)
Other expenditures:							
Facilities acquisitions	387,761	0	0	7,863	(379,898)	0	(379,898)
Long-term debt interest	90,303	0	0	0	(90,303)	0	(90,303)
AEA flowthrough	562,800	0	562,800	0	0	0	0
Depreciation(unallocated)*	273,110	0	0	0	(273,110)	0	(273,110)
	1,313,974	0	562,800	7,863	(743,311)	0	(743,311)
Total governmental activities	16,399,894	985,674	1,758,731	7,863	(13,647,626)	0	(13,647,626)
Business-Type activities:							
Support services:							
Administration services	1,109	0	0	0	0	(1,109)	(1,109)
Non-instructional programs:							
Nutrition services	732,437	434,678	297,819	0	0	60	60
Total business-type activities	733,546	434,678	297,819	0	0	(1,049)	(1,049)
Total	\$ 17,133,440	1,420,352	2,056,550	7,863	(13,647,626)	(1,049)	(13,648,675)
General Revenues:							
General Revenues:							
Property tax levied for:							
General purposes				\$ 3,987,062	0		3,987,062
Debt service				561,865	0		561,865
Capital outlay				110,518	0		110,518
Income surtax				301,554	0		301,554
Local option sales and services tax				953,769	0		953,769
Unrestricted state grants				7,380,838	0		7,380,838
Unrestricted investment earnings				73,479	1,716		75,195
Other general revenues				31,894	0		31,894
Total general revenues				13,400,979	1,716		13,402,695
Changes in net assets				(246,647)	667		(245,980)
Net assets beginning of year				8,935,101	119,130		9,054,231
Net assets end of year				\$ 8,688,454	119,797		8,808,251

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Capital Projects	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and pooled investments:	\$ 583,279	1,172,774	340,059	485,036	2,581,148
Receivables:					
Property tax:					
Delinquent	75,674	0	2,164	17,714	95,552
Succeeding year	4,075,153	0	120,421	1,208,280	5,403,854
Income surtax	256,377	0	0	0	256,377
Accounts	6,510	0	0	0	6,510
Due from other governments	279,746	441,823	4	32	721,605
<b>Total Assets</b>	<b>\$ 5,276,739</b>	<b>1,614,597</b>	<b>462,648</b>	<b>1,711,062</b>	<b>9,065,046</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 69,400	106,508	799	48	176,755
Salaries and benefits payable	1,304,371	5,537	0	0	1,309,908
Deferred revenue:					
Succeeding year property tax	4,075,153	0	120,421	1,208,280	5,403,854
Income surtax	256,377	0	0	0	256,377
Total liabilities	5,705,301	112,045	121,220	1,208,328	7,146,894
Fund balances:					
Reserved for:					
Debt service	0	0	0	207,579	207,579
Beginning teacher mentoring program	4,099	0	0	0	4,099
Market factor	8,625	0	0	0	8,625
Market factor incentives	9,945	0	0	0	9,945
Community grants	2,035	0	0	0	2,035
Unreserved	(453,266)	1,502,552	341,428	295,155	1,685,869
Total fund balances	(428,562)	1,502,552	341,428	502,734	1,918,152
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,276,739</b>	<b>1,614,597</b>	<b>462,648</b>	<b>1,711,062</b>	<b>9,065,046</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

Total fund balances of governmental funds (page 16)	\$ 1,918,152
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	8,393,012
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	256,377
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(11,496)
Long-term liabilities, including bonds payable, early retirement payable and compensated absences, are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds.	(1,867,591)
Net assets of governmental activites (page 14)	<u>\$ 8,688,454</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds	Total
Revenue:					
Local sources:					
Local tax	\$ 3,951,998	953,769	110,518	886,606	5,902,891
Tuition	620,456	0	0	0	620,456
Other	107,870	32,597	11,436	335,326	487,229
State sources	8,805,118	0	70	576	8,805,764
Federal sources	317,167	0	7,863	0	325,030
Total revenues	13,802,609	986,366	129,887	1,222,508	16,141,370
Expenditures:					
Current:					
Instruction:					
Regular instruction	6,268,297	0	0	75,149	6,343,446
Special instruction	2,505,110	0	0	0	2,505,110
Other instruction	1,227,730	0	0	270,196	1,497,926
	10,001,137	0	0	345,345	10,346,482
Support services:					
Student services	448,244	0	0	800	449,044
Instructional staff services	627,576	0	0	1,068	628,644
Administration services	1,274,157	0	0	8,477	1,282,634
Operation and maintenance of plant services	1,285,101	0	0	185,528	1,470,629
Transportation services	596,413	79,946	0	34,166	710,525
	4,231,491	79,946	0	230,039	4,541,476
Non-instructional programs:					
Food service operations	0	0	0	8,654	8,654
Other expenditures:					
Facilities acquisitions	0	509,771	155,856	0	665,627
Long-term debt:					
Principal	0	0	0	545,000	545,000
Interest and fiscal charges	0	415	0	93,975	94,390
AEA flowthrough	562,800	0	0	0	562,800
	562,800	510,186	155,856	638,975	1,867,817
Total expenditures	14,795,428	590,132	155,856	1,223,013	16,764,429
Excess(Deficiency) of revenues over (under) expenditures	(992,819)	396,234	(25,969)	(505)	(623,059)
Other financing sources(uses):					
Transfer in	0	0	0	76,505	76,505
Transfer out	0	(76,505)	0	0	(76,505)
Compensation for loss of fixed assets	0	6,100	0	0	6,100
Sale of equipment	7,177	0	0	0	7,177
Total other financing sources(uses)	7,177	(70,405)	0	76,505	13,277
Net change in fund balances	(985,642)	325,829	(25,969)	76,000	(609,782)
Fund balance beginning of year	557,080	1,176,723	367,397	426,734	2,527,934
Fund balance end of year	\$ (428,562)	1,502,552	341,428	502,734	1,918,152

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 18) \$ (609,782)

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and loss on asset disposal in the year are as follows:

Capital outlay	\$ 427,896	
Depreciation expense	(458,039)	
Loss on asset disposal	(14,936)	(45,079)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.	11,877
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Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	545,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Early Retirement	(51,995)
Compensated Absences	(100,755)
	(152,750)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	
	4,087

Changes in net assets of governmental activities (page 15)	\$ (246,647)

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2008

	<u>School</u> <u>Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 61,695
Receivables:	
Accounts	38,091
Inventories	10,831
Capital assets, net of accumulated depreciation (Note 4)	21,609
<b>Total Assets</b>	<u>132,226</u>
<b>Liabilities</b>	
Salaries and benefits payable	2,087
Unearned revenue	10,342
<b>Total Liabilities</b>	<u>12,429</u>
<b>Net Assets</b>	
Invested in capital assets	21,609
Unrestricted	98,188
<b>Total Net Assets</b>	<u>\$ 119,797</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ 434,678
Operating expenses:	
Support services:	
Administration services:	
Services	1,109
Non-instructional programs:	
Food service operations:	
Salaries	185,977
Benefits	62,149
Services	428,382
Supplies	51,049
Depreciation	4,880
Total operating expenses	<u>733,546</u>
Operating loss	<u>(298,868)</u>
Non-operating revenues:	
State sources	9,033
Federal sources	288,786
Interest income	1,716
Total non-operating revenues	<u>299,535</u>
Change in net assets	667
Net assets beginning of year	<u>119,130</u>
Net assets end of year	<u><u>\$ 119,797</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 421,282
Cash received from miscellaneous sources	200
Cash payments to employees for services	(254,376)
Cash payments to suppliers for goods or services	(436,314)
Net cash used in operating activities	<u>(269,208)</u>
Cash flows from non-capital financing activities:	
State grants received	9,033
Federal grants received	248,448
Net cash provided by non-capital financing activities	<u>257,481</u>
Cash flows from investing activities:	
Interest on investments	<u>1,716</u>
Net decrease in cash and cash equivalents	(10,011)
Cash and cash equivalents at beginning of year	<u>71,706</u>
Cash and cash equivalents at end of year	<u>\$ 61,695</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (298,868)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	40,338
Depreciation	4,880
Decrease in inventories	3,888
Increase in accounts receivable	(23,538)
Decrease in salaries and benefits payable	(6,250)
Increase in unearned revenue	10,342
Net cash used in operating activities	<u>\$ (269,208)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 61,695</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$40,338.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	Private Purpose Trust Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 207,644	19,865
Accounts receivable	0	9,083
	<u>207,644</u>	<u>28,948</u>
<b>Liabilities</b>		
Accounts payable	0	64
Salary and benefits payable	0	2,051
Due to other groups	0	26,833
	<u>0</u>	<u>28,948</u>
<b>Net Assets</b>		
Reserved for scholarships	157,801	0
Unreserved	49,843	0
<b>Total Net Assets</b>	<u>\$ 207,644</u>	<u>0</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2008

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 8,000
Interest income	<u>8,242</u>
Total additions	<u>16,242</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>15,739</u>
Change in net assets	503
Net assets beginning of year	<u>207,141</u>
Net assets end of year	<u>\$ 207,644</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Winterset Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Winterset, Iowa, and the predominate agricultural territory in Madison County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Winterset Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Winterset Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Madison County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Special Revenue - Physical Plant and Equipment Levy Fund is utilized to account for major equipment purchases and capital improvements.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be

collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for the current school year, which is paid in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 2,680,911</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The Certificates of Deposit over one year are classified as Category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name. Certificates of Deposit are stated at fair value.

At June 30, 2008, the District had investments in Certificates of Deposit over one year as follows:

	<u>Fair Value</u>
Certificates of Deposit	<u>\$ 163,000</u>

**(3) Transfers**

The detail of transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 76,505</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

#### (4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 318,535	89,396	0	407,931
Construction in progress	0	13,463	0	13,463
Total capital assets not being depreciated	318,535	102,859	0	421,394
Capital assets being depreciated:				
Buildings	12,061,673	148,660	0	12,210,333
Land improvements	972,909	26,347	0	999,256
Machinery and equipment	2,264,292	150,030	89,353	2,324,969
Total capital assets being depreciated	15,298,874	325,037	89,353	15,534,558
Less accumulated depreciation for:				
Buildings	4,922,002	226,734	0	5,148,736
Land improvements	485,809	46,376	0	532,185
Machinery and equipment	1,771,507	184,929	74,417	1,882,019
Total accumulated depreciation	7,179,318	458,039	74,417	7,562,940
Total capital assets being depreciated, net	8,119,556	(133,002)	14,936	7,971,618
Governmental activities capital assets, net	\$ 8,438,091	(30,143)	14,936	8,393,012
Business-type activities:				
Machinery and equipment	\$ 265,276	0	0	265,276
Less accumulated depreciation	238,787	4,880	0	243,667
Business-type activities capital assets, net	\$ 26,489	(4,880)	0	21,609

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 62,932
Other	4,224
Support services:	
Student	2,040
Administration	7,178
Operation and maintenance of plant	11,565
Transportation	96,990
	184,929
Unallocated depreciation	273,110
Total governmental activities depreciation expense	\$ 458,039
Business-type activities:	
Food services	\$ 4,880

**(5) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,040,000	0	545,000	1,495,000	530,000
Early retirement	219,841	106,846	54,851	271,836	72,525
Compensated absences	0	100,755	0	100,755	100,755
Total	\$ 2,259,841	207,601	599,851	1,867,591	703,280

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 1998 Interest Rates	Principal	Interest	Total
2009	4.60 % \$	530,000	68,975	598,975
2010	4.60	555,000	44,595	599,595
2011	4.65	410,000	19,065	429,065
Total		\$ 1,495,000	132,635	1,627,635

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five to sixty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's salary calculated by using the salary in effect the last year of the employee's employment with the school district. Early retirement benefits paid during the year ended June 30, 2008, totaled \$54,851 and were paid by the Special Revenue, Management Levy Fund. A liability has been recorded on the government-wide financial statements, Statement of Net Assets representing the District's commitment to fund non-current liabilities.

**(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$621,648, \$546,183 and \$517,302 respectively, equal to the required contributions for each year.

**(7) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), and Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2008 were \$182,274.

Winterset Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$562,800 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Administration Office Lease**

The District entered into a lease agreement to rent a building for the administration office. Per the terms of the lease agreement, the District has agreed to pay \$1,500 a month through May 31, 2009.

**(10) Deficit Fund Balance/Net Assets**

At June 30, 2008, the General Fund has a deficit unreserved undesignated fund balance of \$453,266. The District also had a deficit unrestricted net assets balance in the governmental activities of \$494,726.

REQUIRED SUPPLEMENTARY INFORMATION

WINTERSET COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary		Budgeted Amounts		Final to
	Fund Types	Fund Type	Total			Actual
	Actual	Actual	Actual	Original	Final	Variance
Revenues:						
Local sources	\$ 7,010,576	436,394	7,446,970	8,364,453	8,364,453	(917,483)
State sources	8,805,764	9,033	8,814,797	9,500,816	9,500,816	(686,019)
Federal sources	325,030	288,786	613,816	543,000	543,000	70,816
Total revenues	16,141,370	734,213	16,875,583	18,408,269	18,408,269	(1,532,686)
Expenditures:						
Instruction	10,346,482	0	10,346,482	11,535,017	11,535,017	1,188,535
Support services	4,541,476	1,109	4,542,585	5,526,844	5,526,844	984,259
Non-instructional programs	8,654	732,437	741,091	866,130	866,130	125,039
Other expenditures	1,867,817	0	1,867,817	3,566,522	3,566,522	1,698,705
Total expenditures	16,764,429	733,546	17,497,975	21,494,513	21,494,513	3,996,538
Excess(deficiency) of revenues over(under) expenditures	(623,059)	667	(622,392)	(3,086,244)	(3,086,244)	2,463,852
Other financing sources, net	13,277	0	13,277	5,000	5,000	8,277
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(609,782)	667	(609,115)	(3,081,244)	(3,081,244)	2,472,129
Balance beginning of year	2,527,934	119,130	2,647,064	2,498,338	2,498,338	148,726
Balance end of year	\$ 1,918,152	119,797	2,037,949	(582,906)	(582,906)	2,620,855

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

WINTERSET COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	Nonmajor Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Support Trust	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
<b>Assets</b>						
Cash and pooled investments	\$ 79,528	197,354	11,599	288,481	196,555	485,036
Receivables:						
Property tax:						
Current year delinquent	6,710	0	0	6,710	11,004	17,714
Succeeding year	325,000	0	0	325,000	883,280	1,208,280
Due from other governments	12	0	0	12	20	32
<b>Total Assets</b>	<b>\$ 411,250</b>	<b>197,354</b>	<b>11,599</b>	<b>620,203</b>	<b>1,090,859</b>	<b>1,711,062</b>
<b>Liabilities and Fund Balance</b>						
Liabilities:						
Accounts payable	\$ 0	48	0	48	0	48
Deferred revenue:						
Succeeding year property tax	325,000	0	0	325,000	883,280	1,208,280
	325,000	48	0	325,048	883,280	1,208,328
Fund balances:						
Reserved for:						
Debt service	0	0	0	0	207,579	207,579
Unreserved	86,250	197,306	11,599	295,155	0	295,155
Total fund balances	86,250	197,306	11,599	295,155	207,579	502,734
<b>Total Liabilities and Fund Balance</b>	<b>\$ 411,250</b>	<b>197,354</b>	<b>11,599</b>	<b>620,203</b>	<b>1,090,859</b>	<b>1,711,062</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

	Nonmajor Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Support Trust	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Revenues:						
Local sources:						
Local tax	\$ 324,741	0	0	324,741	561,865	886,606
Other	22,320	301,858	224	324,402	10,924	335,326
State sources	219	0	0	219	357	576
Total revenues	347,280	301,858	224	649,362	573,146	1,222,508
Expenditures:						
Current:						
Instruction:						
Regular instruction	75,149	0	0	75,149	0	75,149
Other instruction	932	269,264	0	270,196	0	270,196
Support services:						
Student support	800	0	0	800	0	800
Instructional staff support	1,068	0	0	1,068	0	1,068
Administration services	8,477	0	0	8,477	0	8,477
Operation and maintenance of plant services	185,528	0	0	185,528	0	185,528
Student transportation	34,166	0	0	34,166	0	34,166
Non-instructional programs:						
Food service operations	8,654	0	0	8,654	0	8,654
Other:						
Long-term debt:						
Principal	0	0	0	0	545,000	545,000
Interest and fiscal charges	0	0	0	0	93,975	93,975
Total expenditures	314,774	269,264	0	584,038	638,975	1,223,013
Excess(deficiency) of revenues over(under) expenditures	32,506	32,594	224	65,324	(65,829)	(505)
Other financing sources:						
Transfer in	0	0	0	0	76,505	76,505
Net change in fund balances	32,506	32,594	224	65,324	10,676	76,000
Fund balance beginning of year	53,744	164,712	11,375	229,831	196,903	426,734
Fund balance end of year	\$ 86,250	197,306	11,599	295,155	207,579	502,734

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b>Elementary School:</b>				
Interest	\$ 0	143	143	0
Champs	2,063	48	1,370	741
PTO	26	0	0	26
Memory Book	529	3,055	2,548	1,036
	<u>2,618</u>	<u>3,246</u>	<u>4,061</u>	<u>1,803</u>
<b>Middle School:</b>				
Band Resale	(2,704)	2,539	2,917	(3,082)
5th and 6th Grade	438	0	64	374
Husky Buck	0	291	75	216
Champs	5,357	1,217	609	5,965
Field Trips	0	2,421	804	1,617
Magazine Fund	28,723	33,760	28,779	33,704
Recorders	25	0	0	25
Tech Projects	224	5	13	216
Supply Hut	(38)	44	0	6
Band	306	0	306	0
Activity Tickets	16,454	3,900	327	20,027
Uniform	3,766	340	0	4,106
Cross Country	0	290	185	105
Boys Basketball	0	1,403	1,403	0
Football	(138)	2,662	2,524	0
Baseball	0	1,661	1,661	0
Boys Track	799	235	730	304
Wrestling	0	2,133	2,133	0
Girls Basketball	0	1,211	1,211	0
Volleyball	0	1,663	1,663	0
Softball	0	582	582	0
Girls Track	0	774	774	0
Cheerleaders	1,235	0	0	1,235
Yearbook	0	2,378	2,378	0
Student Council	119	385	0	504
TSA	1,682	0	0	1,682
	<u>56,248</u>	<u>59,894</u>	<u>49,138</u>	<u>67,004</u>
<b>High School:</b>				
Activity Tickets	2,184	18,355	19,333	1,206
Interest	2,987	5,017	8,004	0
Champs	929	1,569	1,700	798
Concessions	2,358	11,421	13,101	678
Pop Machine	4,601	6,093	7,714	2,980
Play	594	3,820	4,324	90
Forensic	539	4,606	4,367	778
Vocal	2,615	10,618	10,829	2,404
Band	2,740	10,632	9,615	3,757
Color Guard	6	0	0	6
Uniforms	2,000	4,464	6,024	440

WINTERSET COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
High School(Continued):				
Weightlifting	993	1,291	0	2,284
Coed Track	1,929	8,288	0	10,217
Cross Country	1,317	1,282	1,169	1,430
Boys Basketball	4,471	5,119	6,225	3,365
Football	11,689	21,331	17,766	15,254
Boys Soccer	2,815	4,833	4,761	2,887
Baseball	75	5,661	4,722	1,014
Boys Track	17	3,590	2,515	1,092
Golf	150	95	0	245
Boys Drill Team	0	788	788	0
Wrestling	4,032	7,559	7,704	3,887
Girls Basketball	3,059	4,577	6,468	1,168
Volleyball	960	7,532	4,812	3,680
Girls Soccer	1,919	10,870	9,327	3,462
Softball	850	8,385	8,449	786
Girls Track	(242)	2,967	2,500	225
Cheerleaders	366	5,449	1,806	4,009
Girls Golf	120	365	369	116
Drill Team	606	11,231	11,200	637
Class of 2007	20	0	20	0
Class of 2008	3,330	360	3,690	0
Class of 2009	4,504	5,890	6,374	4,020
Class of 2010	1,024	2,481	0	3,505
Class of 2011	500	1,284	216	1,568
Class of 2011	0	500	0	500
AFS	711	861	194	1,378
Boomerang	4,519	12,623	5,513	11,629
FBLA	0	7,181	5,589	1,592
FCCLA	3,335	0	0	3,335
MOC	595	420	341	674
Pep Club	6,400	6,194	3,255	9,339
Renaissance	288	0	0	288
SADD	134	0	0	134
Science Club	2,255	3,125	2,670	2,710
Student Council	5,608	1,797	2,574	4,831
TSA	0	1,305	1,124	181
WHS-TV	6,272	5,833	5,228	6,877
Y-Teen	3,777	367	332	3,812
FFA	4,548	0	3,057	1,491
Art Club	981	547	296	1,232
Spanish Club	366	142	0	508
	105,846	238,718	216,065	128,499
Total	\$ 164,712	301,858	269,264	197,306

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 130,558	71,918	182,611	19,865
Accounts receivable	6,776	2,772	465	9,083
	<u>\$ 137,334</u>	<u>74,690</u>	<u>183,076</u>	<u>28,948</u>
<b>Liabilities</b>				
Interfund payable	\$ 55,000	0	55,000	0
Salary and benefits payable	0	2,051	0	2,051
Accounts payable	55,494	64	55,494	64
Due from other groups	26,840	74,626	74,633	26,833
	<u>\$ 137,334</u>	<u>76,741</u>	<u>185,127</u>	<u>28,948</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FIVE YEARS

		Modified Accrual Basis				
		Years Ended June 30,				
		2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$	5,902,891	6,300,722	5,835,185	5,654,849	4,843,031
Tuition		620,456	520,618	485,156	386,039	435,217
Other		487,229	496,369	406,550	494,275	800,215
Intermediate sources		0	18,010	0	0	1,431
State sources		8,805,764	8,160,837	7,818,846	7,007,351	6,528,915
Federal sources		325,030	310,585	332,412	321,482	376,857
<hr/>						
Total	\$	16,141,370	15,807,141	14,878,149	13,863,996	12,985,666
<hr/>						
Expenditures:						
Instruction:						
Regular instruction	\$	6,343,446	5,595,747	5,055,208	4,948,992	4,573,554
Special instruction		2,505,110	2,688,086	2,313,143	2,023,852	2,104,456
Other instruction		1,497,926	1,058,067	1,316,851	1,328,124	924,385
Support services:						
Student services		449,044	409,289	357,966	360,342	350,360
Instructional staff services		628,644	680,880	504,394	372,882	335,889
Administration services		1,282,634	1,195,341	1,110,165	1,069,181	1,055,372
Operation and maintenance of plant services		1,470,629	1,299,559	1,345,656	1,125,081	1,194,716
Transportation services		710,525	774,989	774,339	549,379	545,414
Non-instructional programs		8,654	8,796	11,651	9,236	8,089
Other expenditures:						
Facilities acquisitions		665,627	612,179	124,997	314,833	284,342
Long-term debt:						
Principal		545,000	875,000	830,000	805,000	1,187,000
Interest and other charges		94,390	128,110	160,313	190,797	235,961
AEA flow-through		562,800	522,435	488,789	445,626	432,742
<hr/>						
Total	\$	16,764,429	15,848,478	14,393,472	13,543,325	13,232,280
<hr/>						

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 08	30,085
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 08	258,701 *
			<u>288,786</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	7056-G	134,890
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	7056-GC	7,158
			<u>142,048</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 08	<u>1,794</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.298	FY 08	<u>2,030</u>
ENHANCING EDUCATION THROUGH TECHNOLOGY (E2T2)	84.318	FY 08	<u>1,250</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 08	<u>56,148</u>
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 08	<u>11,669</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 08	<u>85,955</u>

WINTERSET COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
VOCATIONAL EDUCATION - BASIC			
GRANTS TO STATES	84.048	FY 08	<u>16,273</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY:			
IOWA DEPARTMENT OF PUBLIC DEFENSE:			
IOWA HOMELAND SECURITY AND EMERGENCY			
MANAGEMENT DIVISION:			
PUBLIC ASSISTANCE GRANTS	83.544	DR-1737-IA	<u>7,863</u>
TOTAL			<u>\$ 613,816</u>

\* Includes \$40,338 of non-cash awards.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Winterset Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of the  
Winterset Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Winterset Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 27, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Winterset Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Winterset Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Winterset Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Winterset Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Winterset Community School District's financial statements that is more than inconsequential will not be prevented or detected by Winterset Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Winterset Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Winterset Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Winterset Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Winterset Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Winterset Community School District and other parties to whom Winterset Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Winterset Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2009

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

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### Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
Winterset Community School District:

#### Compliance

We have audited the compliance of Winterset Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Winterset Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Winterset Community School District's management. Our responsibility is to express an opinion on Winterset Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winterset Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Winterset Community School District's compliance with those requirements.

In our opinion, Winterset Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

#### Internal Control Over Compliance

The management of Winterset Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Winterset Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Winterset Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 to be a material weakness.

Winterset Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Winterset Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Winterset Community School District and other parties to whom Winterset Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2009

WINTERSET COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
  - Individual
    - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Winterset Community School District did not qualify as a low-risk auditee.

WINTERSET COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- II-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash disbursements and cash receipts within the Activity Fund were done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- II-B-08 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1<sup>st</sup>.

Response - We will determine if checks over one year need to be voided, reissued or submitted to the State Treasurer as unclaimed property. If the checks are submitted to the State Treasurer, we will do so before November 1<sup>st</sup> in the future.

Conclusion - Response accepted.

- II-C-08 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - We will keep track of non-certified coaching staff hours.

Conclusion - Response accepted.

- II-D-08 Student Activity Fund - During our audit issues arose about the properness of certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book

fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear the some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. More specific examples of these instances of questioned items and recommendations are as follows:

Currently, donations from Target are recorded in the High School Activity account in the Student Activity Fund. Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

The District writes various checks throughout the year for change boxes for start up cash at the gate for District events. It was noted that checks were being written to the bank only instead of the custodian/sponsor for these events. Checks made out to the bank only are bearer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event.

Response - We will deposit donations from Target into the General Fund.

Checks written for start up cash for gates will be written to the custodian/sponsor of each event and the District.

Conclusion - Response accepted.

- II-E-08 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying numerous negative student lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances from the families before writing the balances off of the books. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - We are sending monthly statements along with free/reduced applications to families with the deficit accounts. We are contacting a collection agency to assist in efforts to eliminate the deficit accounts.

Conclusion - Response accepted.

- II-F-08 Receipting Procedures - We noted that sponsors of student organizations were collecting money from individuals, fundraising events and other revenue fees. These collections are turned into the office for receipting, depositing and posting only after the event or fundraising drive is completed. When the money is turned into the office there does not

appear to be supporting documentation for the money collected that later could be used for reconciliation uses. We noted that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

Recommendation - The District actually maintains multiple layers of receipting from, sponsors, to the building office, to the central office. When sponsors or fundraising chairpersons submit money to the office for multiple previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts.

Response - We will require that sponsors turn in supporting documentation with collections for reconciliation purposes.

Conclusion - Response accepted.

- II-G-08 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however Activity Fund purchase orders were either completed after the product had been ordered or not completed at all.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - We will train and inform employees that purchase orders need to be approved before ordering supplies.

Conclusion - Response accepted.

- II-H-08 Supporting Documents for Payments to Officials - Payments made to officials from the Student Activity fund do not have supporting documentation. Officials are being paid from a listing.

Recommendation - The copy of the contract made for each official should be used as the support for payment. The source documents should be preserved by the Board Secretary per Chapter 291.6 of the Code of Iowa. The District should review their procedures and implement necessary changes.

Response - We will change our procedures to have official payments supported with a copy of the contract per Chapter 291.6 of the Code of Iowa.

Conclusion - Response accepted.

WINTERSET COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2008  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
Agency Numbers: 6854-G  
Federal Award Year: 2008  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash disbursements and cash receipts were done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

WINTERSET COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.

IV-B-08 Questionable Disbursements - We noted during our audit that the District wrote checks from the Student Activity Fund that were subsequently cashed to buy gift cards/gift certificates to give to students as incentive prizes. Gift cards/gift certificates do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - We will discontinue purchasing gift cards as incentive prizes.

Conclusion - Response accepted.

IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

During our audit, we noted that District employees were seeking reimbursement for meal expenses charged on the their personal credit cards; however detailed documentation of the purchases were not being submitted to Central Office as required by District Board Policy 401.7.

Recommendation - District Board Policy 401.7 states that employees must submit a detailed receipt in addition to the credit card receipt showing the date, purpose and nature of the expense for each claim item. Failure to turn in detailed receipts to the District makes the expense the employee's expense and not the District's. The District should review Board Policy 401.7 and communicate to employees the ramifications to them if the policy is not followed.

Response - We will require a detailed receipt in addition to the credit card receipt when reimbursing employee expenses.

Conclusion - Response accepted.

IV-D-08 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will submit minutes for publication in a timely manner; however, we have no control over the actual publication date.

Conclusion - Response accepted.

IV-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy. However, we did note that the District was not receiving the proper interest rate, set by the State Rate Setting Committee, on their Certificate of Deposit for the Class of 2009.

Recommendation - The District should contact the appropriate bank and rectify the situation.

Response - We have contacted the bank and the certificate of deposit is now receiving the proper rate.

Conclusion - Response accepted.

IV-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-08 Financial Condition - The District has two negative accounts within the Student Activity Fund totaling \$913. The District has a deficit undesignated unreserved fund balance of \$453,266 in the General Fund. The District also has a deficit unrestricted net assets balance in the governmental activities of \$494,726.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should continue to monitor this fund and investigate alternatives to eliminate the deficits.

Response - We will continue to monitor these funds and explore ways to eliminate the deficits.

Conclusion - Response accepted.